

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4136-06
BILL NO.: HCS for HB 1762
SUBJECT: Agriculture and Animals; Economic Development; Taxation and Revenue
TYPE: Original
DATE: March 24, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue*	\$0	(\$500,000)	(\$500,000)
Value-Added Agricultural Products Marketing Dev.	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds*	\$0	(\$500,000)	(\$500,000)

* Subject to Appropriation

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state this proposal would allow Neighborhood Assistance Program tax credits for new generation coops, create bidding preferences for products of new generation cooperatives and promote sales of value-added products. The DED assumes this proposal would have no fiscal impact on their agency.

Officials from the **Department of Agriculture (AGR)** state this proposal creates another contribution option under the Neighborhood Assistance Act. It also gives a five percent bidding preference for agricultural food products produced by an eligible new generation cooperative.

The AGR states that this proposal also will increase sales of Missouri agricultural products and improve customer awareness of and preference for Missouri-produced or processed agricultural products. The AGR assumes that in order to accomplish the directives outlined in the proposal, the Market Development Division will need an additional two FTE, along with appropriate monies for equipment and expenses, development of a web site and monies for matching funds. The AGR assumes the need for one (1) Agriculture Promotion Specialist (at \$27,468 annually) and one (1) Program Coordinator (at \$42,288 annually) to be company and distributor contacts, perform promotion and product identification, conduct consumer surveys, create and submit statewide promotional ideas, development of matching funds program and administration of an e-commerce site.

Officials from the **Department of Revenue** anticipate an increase in the number of neighborhood assistance credits, however, the increase is unknown. The Division of Taxation, Personal Tax Bureau, will need one temporary tax season employee (a cost of \$6,067) for every 130,000 credits filed with this credit (key entry) and one Tax Processing Tech I for every 2,000 credits claimed (processing). The Personal Tax Bureau will also need one Tax Processing Tech I for every 30,000 additional errors generated. The Division of Taxation, Business Tax Bureau, will need one Tax Processing Tech I for every 3,680 credits received.

Oversight assumes the Department of Revenue could request additional FTE to process the additional tax credits if the need arises, but for purposes of this fiscal note, the DOR is assumed to have no additional costs from this proposal.

Officials from the **Office of Administration (OA)** assume this proposal will not result in additional costs or savings to their agency.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to

additional publishing duties related to the Department of Agriculture's authority to promulgate

ASSUMPTION (continued)

rules, regulations, and forms. SOS estimates the division could require approximately 28 new pages of regulations in the Code of State Regulations at a cost of \$26.50 per page, and 42 new pages in the Missouri Register at a cost of \$22.50 per page. Costs due to this proposal would be \$1,687, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Oversight assumes the part of the proposal that expands NAP credits would not have a fiscal impact on the state since the Neighborhood Assistance Program credits are capped and this would only add a different clientele to be eligible to receive the credits. Oversight also assumes the General Assembly would appropriate \$500,000 in FY's 2002 and 2003 to the Value-Added Agricultural Products Marketing Development Fund and the Department of Agriculture would spend the entire amounts in those years on the two FTE required for this proposal as well as promotional expenditures and e-commerce expenses.

The **Department of Insurance** did not respond to our request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Costs</u> - Appropriation to value-added agricultural products marketing development fund	\$0	(\$500,000)	(\$500,000)

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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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**VALUE-ADDED AGRICULTURAL PRODUCTS
 MARKETING DEVELOPMENT FUND**

<u>Income</u> - Transfer from the General Revenue Fund	\$0	\$500,000	\$500,000
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<u>Costs</u> - Department of Agriculture			
Personal Service (2 FTE)	\$0	(\$73,288)	(\$75,120)
Fringe Benefits	\$0	(\$22,536)	(\$23,099)
Expense and Equipment	\$0	(\$79,919)	(\$25,674)
Total <u>Costs</u> - Department of Agriculture	\$0	(\$175,743)	(\$123,893)

<u>Costs</u> - other expenditures for the promotion of Producer's Choice program	\$0	(\$324,257)	(\$376,107)
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**ESTIMATED NET EFFECT TO THE VALUE-
 ADDED AGRICULTURAL PRODUCTS
 MARKETING DEVELOPMENT FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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\$0	\$0	\$0
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FISCAL IMPACT - Small Business

A fiscal impact to business that make contributions to neighborhood organizations as well as small agricultural businesses could be expected as a result of this proposal.

DESCRIPTION

RAS:LR:OD:005 (9-94)

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This bill permits new generation cooperatives formed in Missouri to participate in the Neighborhood Assistance Act.

DESCRIPTION (continued)

Organizations which perform community service or economic development activities are permitted to qualify as neighborhood organizations under the act by contributing to the construction of a building used to sell agricultural food products produced in Missouri by members of a new generation cooperative, but are limited to \$5 million in tax credits for fiscal years 2002 through 2006. Under the act, business firms making contributions to neighborhood organizations receive tax credits.

The bill also allows the Commissioner of Administration to provide a 5% bidding preference for agricultural food products produced by new generation cooperatives.

The bill also changes the marketing program currently known as AgriMissouri to "Producer's Choice". It also creates the "Value-Added Agricultural Products Marketing Development Fund" to market and promote value-added products of Missouri. The proposal calls for an annual appropriation of \$500,000 for fiscal years 2002 through 2006 to use in a matching-funds reimbursement program to promote advertising of value-added agriculture products included in the Producer's Choice. The Marketing Division of the Department of Agriculture is also to develop a web site to foster the marketing of value added agriculture products over the internet.

This legislation is not federally mandated, would not require additional capital improvements or rental space, but may, however, duplicate the New Generation Cooperative Incentive Tax Credit program already in place.

SOURCES OF INFORMATION

Department of Economic Development
Department of Agriculture
Department of Revenue
Office of Administration
Secretary of State's Office

Not Responding: Department of Insurance

RAS:LR:OD:005 (9-94)

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A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
March 24, 2000